

ANNUAL REPORT

December 31, 1947

J. C. PENNEY COMPANY
(A DELAWARE CORPORATION)

OPERATING 1603 RETAIL STORES



TO THE STOCKHOLDERS OF J. C. PENNEY COMPANY

March 15, 1948

This report for the year 1947 contains the Balance Sheet, Statements of Profit and Loss and Earned Surplus of your Company, and the Accountants' Report thereon, together with Financial Statements of the wholly-owned subsidiaries.

SALES

1947 was another record year in Penney sales. The year's sales totalled \$775,872,590.75. The previous high figure for any year was for 1946, when the figure was \$676,570,117.03. The 1947 increase in dollar sales was just short of \$100,000,000, or \$99,302,473.72. The percentage of increase was 14.68%. At the end of 1947 the Company had 1603 stores in operation, two more than the previous year.

FINANCIAL POSITION AND INVENTORIES

Cash on hand and in banks as of December 31st amounted to \$67,640,239.78. This compared with \$40,951,490.89 at the end of the previous year. The merchandise inventory was \$123,300,115.26, as compared with \$136,452,433.90 at the end of 1946. During the early part of 1947 the Company made some use of its bank credit, as indicated by our published statement of June 30th, showing that there were bank loans. These were paid during the fall and, as this report shows, there were no outstanding loans but substantial cash balances as of December 31st. It is our feeling that, both from the viewpoint of operating capital and of merchandise inventory, the Company is in an excellent condition.

PROFITS AND DIVIDENDS

Net profits for 1947 were \$35,304,230.83, or \$4.29 per share on each of the 8,231,952 shares of common stock outstanding. For 1946 the earnings were \$35,494,565.35, or \$4.31 per share. The earnings for the first 6 months of 1947, as estimated in the June 30th report, were \$10,940,971.88, or \$1.33 per share. During this period very substantial markdowns were taken by the Company in order to eliminate wartime merchandise and to correct unbalanced stocks brought about by wartime conditions. The results for the second half indicate the soundness of this action.

At the year end, merchandise was, in the main, of Penney's pre-war quality, even though, in certain lines, we have yet to reach a situation where available supplies have caught up with our customers' demands.

Cash dividends were declared in the aggregate amount of \$2.50 per share, including four dividends of 50¢ each and a year-end extra of 50¢. After the payment of these dividends, \$14,724,350.83 was added to the surplus account. This addition appeared desirable in view of the continued growth of the Company, the volume of business being done, and the continued high price of merchandise.

The final 50¢ dividend payment on 1947 operations and the year-end extra of 50¢ were declared on December 8, 1947, payable January 2, 1948, to stockholders of record at the close of business December 17, 1947. It is our intention to pay dividends in the future at the beginning rather than at the end of a quarter.

PERSONNEL

In past reports to stockholders we have called attention to the loyalty and efforts of the associates throughout this Company. There are about 50,000 full-time associates. In addition, there is an even larger number of part-time and extra associates, as is indicated by the fact that the Company's withholding tax reports for 1947 covered over 125,000 associates.

Since Mr. J. C. Penney opened his first store in 1902, primary emphasis in our Company has always been placed on people. They constitute the real strength of our business. It is rather meaningless to speak of their loyalty and their attitude toward this Company unless you happen to know some of them or unless you deal directly with the Penney Company. Perhaps one illustration, from countless ones that might be mentioned, will indicate how much this spirit means:

Last November in one of our largest stores the manager was rushed to the hospital because of an unexpected illness. This came at the busiest time of the year and before the hectic holiday rush. The men and women in that store held a meeting and voted to make December their Manager's Month. They pledged themselves to make that December the biggest in the store's history. They pledged themselves individually to take on an extra quota to produce this result. They lived up to their pledge. The manager, from his hospital bed, saw his Penney associates climax the biggest year in that store's history with the biggest single sales month since the store had opened in 1927. That is the sort of spirit that is so general among Penney folks and that deserves public recognition from all of us who, as stockholders, are partners in the Penney Company.

MERCHANDISING UNDER INFLATION

Inflation and the threat of further inflation present the most serious problem facing our country. You may, therefore, be interested in what this Company is doing to combat inflation:

CASH SELLING

Most of you know that, since its beginning, the Penney Company has sold merchandise for cash only. It appears self-evident that a cash business makes possible savings for its customers. At a time when the expansion of credit in any form feeds

the fires of inflation, this Company is continuing to serve its customers on a cash basis. We believe this is both good business and a deterrent to further inflation.

INVENTORY CONTROL

We are making every effort to control inventory investment and are following a conservative policy toward forward commitments for merchandise. Of course, in a business as large as this, it is necessary to plan for and to buy many items of merchandise considerably ahead of the time they are offered for sale on our retail counters. This is a normal business procedure, but we are watching every order with the utmost care, since this is decidedly no time either for speculative buying or for taking undue risks in placing future orders.

EXPANSION AND ALTERATIONS

During the past several years the Company has followed a conservative program of expansion or alteration. During the war years remodeling and expansion were, of course, well-nigh impossible. Since the end of hostilities, a number of stores have been relocated and others have been improved. In practically all cases, these changes have been made because the Company was obligated to make these improvements on account of existing leases or contracts. It is the desire and purpose of the Penney Company to continue its growth and to furnish our customers with modern and attractive facilities for convenient shopping. However, it is not consistent with good judgment, in our opinion, to engage in general or extensive capital expenditures at a time when costs are as high as they are today. At a time when both materials and labor are so scarce and inflation is more or less rampant, we believe that retailers can serve the public interests, as well as their own security, by deferring new building.

Because of demands that could not be postponed we have added to our warehouse facilities in two instances. In 1945 the J. C. Penney Realty & Building Corporation purchased a building at 18th Street and 6th Avenue in New York City for the use of the Company in the distribution of style lines of merchandise. We have not yet obtained full use of this building because of existing rent regulations, but have found its partial use most helpful in speeding up and controlling the distribution of this type of merchandise. In 1947 we opened a new warehouse at Statesville, North Carolina. This is not yet in full operation, but already it is evident that this will have a favorable effect on improving the distribution of merchandise made in that section. Our Company is one of the largest distributors of cotton products, of which a considerable percentage is today produced in the Carolinas and neighboring states.

PRICES AND THE RETAILER

Last fall a Congressional Committee and several sub-committees made an extensive investigation and conducted hearings throughout the country on the subject of higher prices and their causes. It is to the credit of the retail industry that these hearings generally did not place upon the retailers the responsibility for increased prices. There was an evident recognition of the fact that retail prices, to a large extent, depend on what the retailer must pay for the merchandise he sells. The general level of prices is beyond the control of retailing or of any single retailer. Despite this, it is the responsibility of the retailer, particularly in times like the present, to hold

down prices by every fair and possible means and to bring merchandise to the consumer at the lowest possible cost. The Penney Company recognizes this obligation and is conducting its business on that basis.

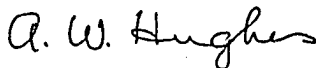
During 1947 considerable progress was made by our Company in correcting some tendencies which crept in during the war years. It is our purpose to continue to examine our operations intensively in order to avoid all waste, however small, and to follow the traditional Penney policy of "packing the consumer's dollar full of value." At the same time, we desire to express our appreciation to many of our producers of merchandise who have not taken advantage of scarcities by seeking unreasonable profits and who have sought to maintain their values in spite of increased costs in labor and raw material. We believe that these are days when a sense of public duty and an intelligent regard for the future demand both self-restraint and cooperation on the part of all Americans.

FUTURE PROSPECTS

National and international conditions are today so complicated as to make any prediction of the future unwise. So far as the Penney Company is concerned, we believe that its position today is strong and its promise for the future continues bright. A cash business, serving the great mass of the American consumers and dealing in the necessities of life, will always have abundant opportunities for growth. Forty-six years of steady development, an operating record based on sound principles and tested methods, and a personnel that is excellent, both in quality and spirit, are, in our opinion, sound bases for the continued confidence and support of you, our stockholders.



Chairman of the Board



President

The Annual Meeting of Stockholders will be held on April 20th, 1948. A proxy statement, with a request for proxies, will be mailed to stockholders on or about March 29. It will be appreciated if you give your prompt attention to the Proxy Statement and Proxy when received.

46 YEARS OF STEADY GROWTH

YEAR
AND
NO. OF
STORES

STORES • SALES • VOLUME PER STORE

1902
(1)

 \$29 THOUSAND
\$29 THOUSAND

1907
(2)

 \$83 THOUSAND
\$166.3 THOUSAND

1912
(34)

 \$70 THOUSAND
\$2.1 MILLION

1917
(177)

 \$94 THOUSAND
\$14.9 MILLION


1922
(371)

 \$149 THOUSAND
\$49.0 MILLION

1927
(892)

 \$180 THOUSAND
\$152.0 MILLION


1932
(1473)

 \$106 THOUSAND
\$155.3 MILLION

1937
(1523)

 \$183 THOUSAND
\$275.4 MILLION

1942
(1611)

 \$305 THOUSAND
\$490.3 MILLION

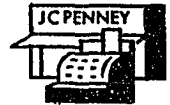
1947
(1603)

 \$485 THOUSAND
\$775.9 MILLION

KEY



\$20 THOUSAND OF
AVERAGE SALES PER STORE



\$33 ¹/₃ MILLION OF
TOTAL SALES

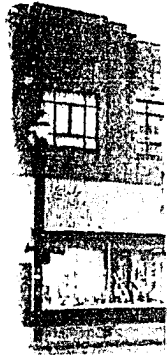


How Penney's Saves

STORES
LIKE
THESE . . .



BURBANK, CALIFORNIA . . . A new, modern Penney plant, opened in 1947, replaced a smaller store.



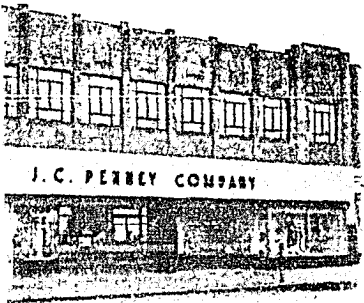
**LORAIN, OHIO
store. Opened**

FEATURING
MERCHANDISE
LIKE
THIS . . .

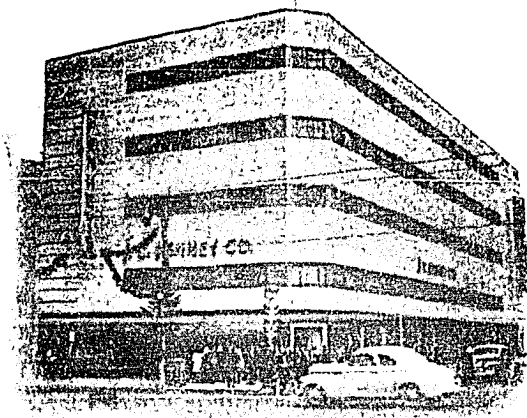


Such savings—on Apparel and Home Needs—

Millions for Millions



...As the town grew so grew this
920. Moved to present quarters 1917.



FLINT, MICHIGAN...A recently enlarged Penney
store in the heart of the Great Lakes industrial area.

MAKE
SAVINGS
LIKE
THIS...

LIFE magazine, in the fall of 1917, presenting
the "New Look" in Women's Apparel, made a
careful shopping tour which indicated that a
complete new wardrobe could be purchased for

99.82

The Penney Company, duplicating the gar-
ments piece by piece from current merchan-
dise stocks, assembled a corresponding
wardrobe, at a saving of over 15%, for

83.32

SAVINGS ALMOST
ENOUGH TO BUY A
U. S. SAVINGS BOND



have made the Penney Company famous

J. C. Penney Company
(A Delaware Corporation)
BALANCE SHEET

As of December 31, 1947

ASSETS

CURRENT ASSETS:

Cash in banks and on hand	\$ 67,640,239.78	
U. S. Government securities—at cost	25,100.00	
Accounts receivable—trade and miscellaneous	1,622,186.99	
Merchandise (Note)	123,300,115.26	
Total Current Assets		192,587,642.03

Investments in and Advances to Subsidiary Companies
(including undistributed surplus)—at amounts as
shown by subsidiaries' balance sheets:

Advances	\$ 5,555,000.00	
Capital stock and surplus	2,567,323.85	8,122,323.85

**Fixed Assets, at not in excess of cost, less provision
for depreciation:**

Land	2,327,648.79	
Buildings	\$2,495,780.23	
Less Reserve for depreciation	718,400.40	1,777,379.83
		4,105,028.62
Furniture and fixtures, less provision for depreciation	14,712,630.27	
Improvements to leaseholds, less amortization	2,140,574.01	20,958,232.90

Deferred Charges—Unexpired Insurance Premiums,

Rent Advances, etc.	1,173,046.95	
		<u>\$222,841,245.73</u>

Note: Inventories are stated at the lower of cost or market determined as follows:

Merchandise in stores—lower of cost or market determined by the retail method. Stocks in warehouses and with manufacturers, including raw materials shipped to manufacturers—cost determined by the first-in first-out method and market on the basis of replacement cost.

J. C. Penney Company
(A Delaware Corporation)
BALANCE SHEET

As of December 31, 1947

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 59,249,768.65
Dividend payable January 2, 1948	8,231,952.00
Provision for Federal income taxes	21,752,222.00
Total Current Liabilities	89,233,942.65

Reserve for Fire Losses, Employees' Death Benefits, Etc. 3,082,500.10

Common Stock, no par value:

Authorized, 9,000,000 shares.	
Outstanding, 8,231,952 shares	34,122,766.67

Surplus (Earned):

J. C. Penney Company	\$93,884,712.46	
Undistributed surplus of subsidiaries	2,517,323.85	96,402,036.31

\$222,841,245.73

ACCOUNTANTS' REPORT

To the Board of Directors,
J. C. Penney Company,
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Company as of December 31, 1947 and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of the J. C. Penney Company at December 31, 1947 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO

New York, N. Y.
March 15, 1948.

J. C. Penney Company

(A Delaware Corporation)

STATEMENT OF PROFIT AND LOSS

For the Year ended December 31, 1947

(Including profits of subsidiaries)

Sales		\$775,872,590.75
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items specifically set forth below)	\$706,284,418.15	
Maintenance and Repairs	2,141,128.71	
Depreciation and Amortization	2,243,726.76	
Taxes, other than Income Taxes	5,662,465.69	
Company Contributions to Retirement Plans	3,541,379.57	719,873,118.88
		<u>55,999,471.87</u>
Discount on Purchases and Miscellaneous Income, less Interest Paid and Miscellaneous Charges		<u>1,556,636.76</u>
Profit before Provision for Income Taxes		57,556,108.63
Provision for Income Taxes:		
Federal income taxes	21,760,000.00	
Other income taxes	790,000.00	22,550,000.00
		<u>35,006,108.63</u>
Add 1947 Profits of Subsidiaries		298,122.20
Transferred to Surplus		<u>\$ 35,304,230.83</u>

Note:

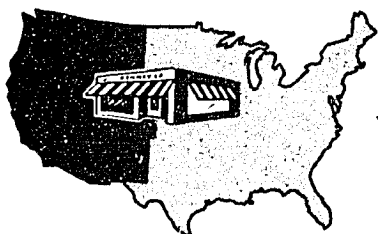
Common stock outstanding at end of year ..	Shares	<u>8,231,952</u>
Earnings per share		<u>\$4.29</u>

STATEMENT OF EARNED SURPLUS

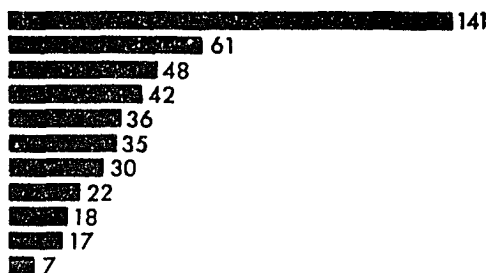
Surplus at December 31, 1946	\$ 81,677,685.48
Net Income for 1947	35,304,230.83
	<u>116,981,916.31</u>
Dividends	20,579,880.00
Surplus at December 31, 1947	<u>\$ 96,402,036.31</u>

THERE ARE PENNEY STORES IN EVERY REGION & STATE

IN THE WEST



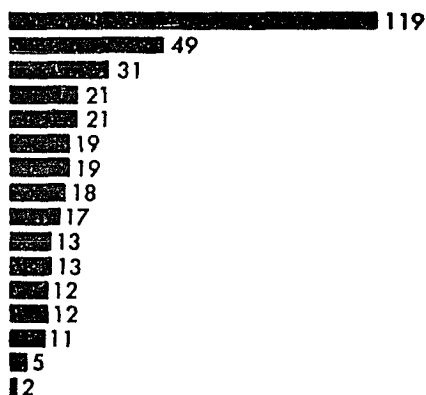
CALIFORNIA
WASHINGTON
COLORADO
OREGON
MONTANA
IDAHO
UTAH
WYOMING
ARIZONA
N. MEXICO
NEVADA



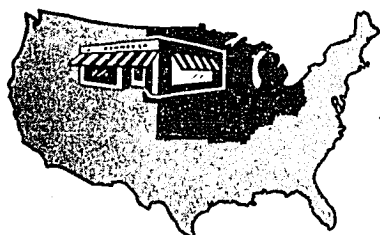
IN THE SOUTH



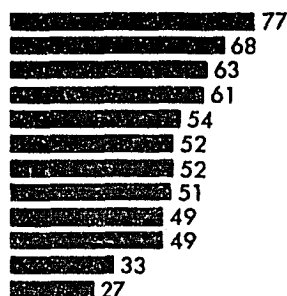
TEXAS
OKLAHOMA
N. CAROLINA
TENNESSEE
KENTUCKY
MISSISSIPPI
FLORIDA
ARKANSAS
GEORGIA
VIRGINIA
S. CAROLINA
W. VIRGINIA
ALABAMA
LOUISIANA
MARYLAND
DELAWARE



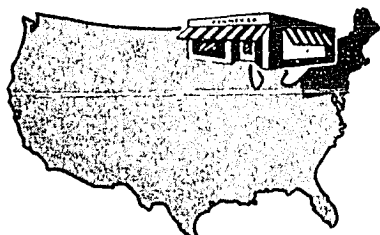
IN THE NORTH CENTRAL



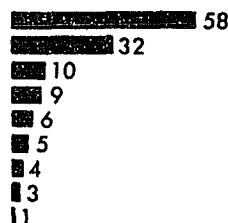
KANSAS
IOWA
MINNESOTA
OHIO
WISCONSIN
MICHIGAN
INDIANA
NEBRASKA
MISSOURI
ILLINOIS
N. DAKOTA
S. DAKOTA



IN THE NORTHEAST



PENNSYLVANIA
NEW YORK
MASSACHUSETTS
MAINE
CONNECTICUT
VERMONT
N. JERSEY
N. HAMPSHIRE
RHODE IS.



J. C. PENNEY COMPANY

A DELAWARE CORPORATION

OFFICERS

J. C. PENNEY

Honorary Chairman of the Board

E. C. SAMS

Chairman of the Board

A. W. HUGHES

President

J. F. BROWN

3rd Vice-President

F. W. BINZEN

Executive Vice-President

A. J. RASKOPF

Secretary

G. E. MACK

2nd Vice-President and Treasurer

R. C. WEIDERMAN

Comptroller

DIRECTORS

J. C. PENNEY, *Honorary Chairman*

E. C. SAMS, *Chairman*

J. I. H. HERBERT

F. W. BINZEN

L. W. HYER

F. A. BANTZ

E. A. ROSS

J. F. BROWN

A. W. HUGHES

G. E. MACK

H. H. SCHWAMB

